

Message Text

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ACTION ARA-10

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FM AMEMBASSY LIMA

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LIMDIS

E.O. 11652: GDS

TAGS: MASS, PE, GW, EFIN, EAID

SUBJECT: PERUVIAN PURCHASE OF FRG SUBMARINES

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1. I CALLED ON NAVY MINISTER PARODI MARCH 30 TO RAISE THIS SUBJECT. THE ADMIRAL CONFIRMED THAT THE PERUVIAN NAVY HAS CONTRACTED FOR THE FOUR SUBMARINES FROM WEST GERMANY. I ASKED IF THE NAVY IS IN FACT GOING TO BUY THESE SUBMARINES. PARODI REPLIED IN THE AFFIRMATIVE, STATING THAT THE CONTRACTS WOULD BE CARRIED OUT. HE SAID WITH RESPECT TO THE PROPOSED SINGER SALE THAT THE FIRE CONTROL SYSTEMS ARE NEEDED TO KEEP THE OLD SUBMARINES OPERATIONAL UNTIL THEY CAN BE REPLACED BY THE NEW ONES. PARODI ALSO TOOK THE OCCASION TO ASSURE ME OF THE "UNLIMITED AUSTERITY" HE HAS NOW IMPOSED ON THE NAVY AND OF HIS DETERMINATION TO MAINTAIN PEACEFUL AND FRIENDLY RELATIONS WITH THE SISTER SERVICES IN CHILE, ECUADOR AND ELSEWHERE.

2. RE PARA 6 REF A, I ASKED THE GERMAN AMBASSADOR ABOUT
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THE SUBMARINE TRANSACTION. HE SAID THE DEAL IS FOR FOUR SUBS AT AN APPROXIMATE COST OF 100 MILLION DM PER COPY. HE THOUGHT THE FINANCING WAS AT EIGHT YEARS WITH A SUITABLE INITIAT GRACE PERIOD. THE AMBASSADOR COMMENTED THAT THE FINANCING WOULD PROBABLY HAVE TO BE RENEGOTIATED AT SOME POINT GIVEN PERU'S MONEY DIFFICULTIES. HE ALSO NOTED IN JUSTIFYING THE SALE THAT THE SHIPBUILDING INDUSTRY IN

THE FRG IS "DEPARESSED".

3. COMMENT: AS WE NOTED PREVIOUSLY, IT DOES SEEM LIKELY THAT THE GOP HAS CONSIDERED OR WILL CONSIDER CANCELING OR REDUCING THE FOUR-SUBMARINE AGREEMENT BECAUSE OF FINANCIAL RESTRICTIONS. BUT THE NAVY WILL DO EVERYTHING IT CAN TO PREVENT THAT DEVELOPMENT. SUBMARINERS NEED SUBMARINES AND THE EFFECTIVE LIVES OF THE SUBS PERU NOW HAS ARE COMING TO AN END. I THINK IT DOUBTFUL THAT PARODI, WHO IS IN ENOUGH TROUBLE WITH THE ADMIRALS AS IT IS, WOULD SURVIVE AS NAVY MINISTER IF THE GOP WENT BACK ON THE CONTRACTS AT THIS POINT. (THE MINISTER IS LEAVING THIS WEEKEND FOR EUROPE WHERE I GATHER HE WILL TRY TO RENEGOTIATE THE FINANCING FOR THE ITALIAN FRIGATES.) IN ANY EVENT, PERU'S ARMS DEBTS WILL PRESUMABLY BE SUBJECT TO A MORE SYSTEMATIC EXAMINATION IF THE GOP EMBARKS ON A PARIS CLUB EXERCISE.

4. WITH RESPECT TO THE SINGER TRANSACTION, I WOULD RECOMMEND APPROVAL OF THE LICENSE. THERE DOES SEEM TO ME AN ARGUMENT TO BE MADE FOR THE PROPOSITION THAT THIS EXPENDITURE FALLS WITHIN THE OPERATIONS AND MAINTENANCE CATEGORY -- AND THE QUESTION OF THE FRG CONTRACTS STRIKES ME AS IMMATERIAL IN THAT CONTEXT. PROVISION OF THIS MATERIAL COULD ALSO CONCEIVABLY INFLUENCE THE PERUVIAN
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NAVY TOWARD A STRETCH-OUT OF THE WEST GERMAN DELIVERIES. BUT WHATEVER THE DECISION, I FAVOR GIVING IT TO THE PERUVIANS (AND TO SINGER) WITHOUT FURTHER PROLONGED DELAY.
SHLAUDEMAN

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